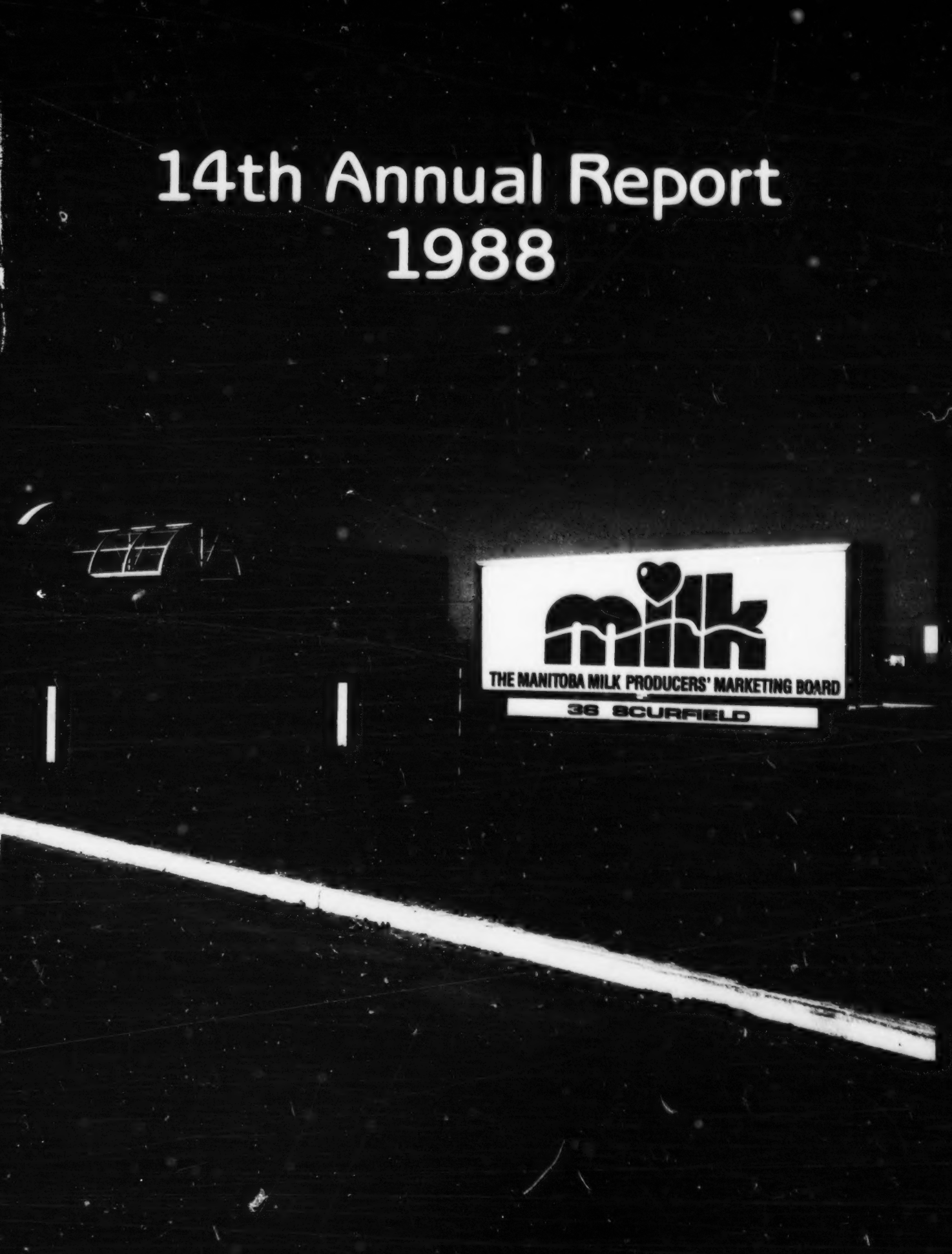
14th Annual Report
1988



89-01526/

BOARD OF DIRECTORS

Louis Balcaen, Chairman
District No. 8

Craig Finnie, Vice Chairman
District No. 3

John van den Ham, Exec. Member
District No. 2

Art V. Rampton, Director
District No. 1

Charles J. Knockaert
District No. 4

Allan Goresky, Director
District No. 5

Neil Van Ryssel, Director
District No. 6

Abram Ens, Director
District No. 7

Reinhard Dueck, Director
District No. 9

W.J.S. Wade
General Manager

THE MANITOBA MILK PRODUCERS' MARKETING BOARD DISTRICTS

TABLE OF CONTENTS

	Page
Chairman's Report	1
School Milk Program	3
Logo Marketing	6
Nutrition Education	7
Advertising & Promotion	8
Processing Plant Audit Program	14
Transportation	15
Market Share Quota	17
Farm Separated Cream Production	19
National Dairy Policy	20
Retirement & Quota Redistribution System	21
Review of Milk Production and Marketing	22
Assessments and Levies	24
Computer Operations	25
M.M.P.M.B. Standing Committees	26
Meetings & Elections	28
Manitoba Milk Pool Results	31
Federal Subsidies & Support Prices	33
Auditors' Report	34
Extracts from The Manitoba Gazette	47
Manitoba Milk Producers' Marketing Board Staff Members	51

CHAIRMAN'S REPORT 1987-88

During the dairy year covered by this report, Manitoba's milk and cream producers marketed more production than ever in the history of the Board.

Strong fluid and industrial milk product sales continued and producers responded positively to the signals sent out by the Board.

During the year, producers increased their contribution to the different promotional activities and again their investment was well rewarded.

This dairy year also saw a positive trend in world markets as prices for dairy products increased appreciably. The installation of some form of supply management in many countries brought surplus stocks more in line with requirements. The net effect to us as producers was a substantial reduction of our in-quota and over-quota levies. Indications are that another significant decrease in levies will occur in the present dairy year.

A lot of effort was spent on the national scene in areas related to international trade and also in participating in a complete review of our national marketing plan.

In the areas of international trade, our efforts in protecting our industry from being harmed in the free trade negotiations with the United States were successful. There are still some outstanding issues to which we will continue to seek solutions. Of even greater consequence could be the present GATT negotiations. We are pleased that our Federal Government has gone on record that our supply management commodities are not to blame for the chaos that exists in international trade of agricultural products and therefore should not be undermined in the negotiations. We will continue to press our politicians throughout those negotiations so that our industry is not harmed.

Meanwhile, within our country, some fine tuning of our national plan is taking place. A study team made up of representatives from all provinces visited every province and listened to presentations from many stakeholders from the industry. While many suggestions were made to improve the flexibility and market sensitivity of our system, there was unanimous support from government, processors, retailers, and producers all across Canada for its continued existence.

Closer to home, we are closing a year where our production costs are

☞

taking a sharp uptum after a few years of stable input costs. We are confident that our cost of production formulas will respond and provide our efficient producers with an adequate return for their labour and investment. We are looking forward to our on-farm cost of production study playing a more important role in future milk pricing in our province. Beginning in 1989 it will begin contributing data to the national formula used by the Canadian Dairy Commission, which sets the price of industrial milk in Canada. That indeed is recognition that our cost study has the necessary credibility.

During 1987, our Board made the decision to build our own offices in the southern part of the city. The decision was prompted by the fact that growing programs in promotion required us to have more space. The Board decided that having our own offices would be in the best long term interest of our producers. Our new 10,000 square foot office will provide us with room to accommodate more services should the producers decide those are needed.

Another important occurrence which took place is the transfer of the responsibility of component testing from the government to Manitoba milk producers. In order to carry out that work, milk producers have formed a company known as "MFC Testing and Research Inc.". The lab will be housed in 2000 square foot section of the new office building. State-of-the-art equipment has been purchased and scientific and technical staff have been hired.

In ending, I want to express the sincere hope that we may be able, in the near future, to bring changes to our quota exchange so that it becomes more responsive to the needs of the producers of our province.

Another area where we have spent a lot of time and effort is milk recording. We hope that the producers of our province will be able to put in place a system that allows that very important management service to grow and be accessible to all producers.

We are grateful to our partners in the industry: governments, processors, suppliers of services, and transporters, for their co-operation.

To all milk and cream producers, thank you for your support and understanding in helping us carry out our responsibilities.

My sincere appreciation to our Board members for their dedication and hard work as well as to all our staff for their efforts on our behalf. ¶

SCHOOL MILK PROGRAM

ELEMENTARY PROGRAM

The start of the 1987/88 School Milk Program saw a significant change in the design of the Elementary Program.

Many of our elementary schools had expressed an interest in dropping the time consuming charts in favour of a program designed after our popular *Milk Spotters Promotion*.

In September we sent out a Contest announcement along with a registration form to every elementary school in the Province. Registration was limited to the first 200 schools that applied. The response was overwhelming — 90% of the registration forms were returned within a 2-3 week period with 32 new schools interested in participating in our new Program.

Our Elementary Program was designed to take the least amount of administrative time. Students who drink milk at lunch are given a "Milk Ballot" — completed ballots are deposited into a ballot box. Prize draws are held daily, weekly or monthly, allowing each school the flexibility to choose the system that works best for their Program. Some of the prizes featured in the new Elementary Program were: cow erasers, neck warmers, T-shirts, milk shake cups, visors, and toothbrushes.

In May, a detailed Program Evaluation was sent out to every school participating in our Program. The main objective of this evaluation was to ensure that both the teachers and students preferred the new draw system over the daily charting system. There were 135 Evaluations returned — 130 schools reported that the draw system was not only easier for the teachers to administer but the enthusiasm for the *School Milk Program*, by the participating students, had increased significantly. All schools reported that the flexibility of the new Program was the most appealing feature.

REFRIGERATION DRAW

We introduced an important new component to our Elementary Program. Many of the schools participating in our Milk Program can only do so because we offer them the use of a refrigeration unit on a loan basis, for one full year. At the end of their year, they must purchase the unit or return it to our Board. Many of the schools simply cannot afford to purchase the unit. They now have the opportunity to "win their refrigerator". In May, all elementary schools had their name entered into our lucky draw. This year, the winner of our *School Milk Fridge* was Isaac Brock School, in Winnipeg.

MILK SPOTTERS PROGRAM FOR JUNIOR/SENIOR HIGH SCHOOLS

The structure of our popular Milk *Spotter's Program* has remained unchanged over the past five years. Students are appointed official Milk Spotters to roam the school at lunch hour randomly spotting students drinking milk. Each student spotted receives a *Scratch n' Win* ticket, with a one-in-five chance of being an instant winner.

Although the basic format of our Milk Spotters Program continues to appeal to the Junior/Senior High Schools, experience had taught us that there are a number of **other** components that are vital to the continued success of this Program:

1. As a promotions unit, our common goal is to obtain the **maximum** benefit from our advertising dollars. We do this by incorporating the slogan used in our Provincial fluid milk campaign. In that way, we can extend our advertising message for the entire school year.
2. We continue to compete with the soft drink companies for student dollars. The key element in maintaining interest in our Milk Spotters Program is to purchase unique and innovative promotional items. A good example of this is our Milk Shake Sweatshirt with Lights. The *Manitoba School Milk Program* is the first in Canada to offer this promotional item and the only opportunity a student has to win the sweatshirt is to Drink Milk.
3. We continue to maintain a strong level of commitment to

our Program by allowing the students the opportunity of participating in the creative development. We talk to the students, we listen to their ideas, and, more importantly, we are open to changing our ideas.

CONSUMPTION AWARDS

Over the past few years, we have offered various consumption prizes that ranged from cash to video dances. For the past two years, we have awarded Dairy Products for a Special School Event. By awarding a Dairy Party, our promotions program comes full circle. The producers maintain a high community profile, the students enjoy Milk products, and the school's Dairy Representative has the benefit of a substantial order.

DAY CARE PROGRAM

This year's *School Milk Program* included a pilot project for Day Care Centres.

In February, a program announcement was mailed to every Provincially licensed Day Care in the Province offering them the opportunity to participate in their own "*Milk Olympics*" Program. The Centres responded with tremendous enthusiasm. 122 Day Cares registered for the Program with our milk message reaching in excess of 5,000 pre-school and school age children. In May, the Centres were asked to evaluate the benefits of our *Milk Awareness Program*. A review of the evaluations is scheduled for October.

We are pleased to be a part of a successful program sponsored by the dairy producers of Manitoba. A program that continues to maintain a high degree of credibility within the Manitoba school system.¶

LOGO MARKETING

Logo Marketing is a new division that will operate as a one year pilot project. This new area will extend our existing advertising and promotion programs by offering producers, as well as the general public, the opportunity to purchase a line of *Milk Logo Clothing*.

Over the past few years, trade mark clothing has gained enormous popularity. The Board saw an opportunity to capitalize on this trend by developing a quality, reasonably priced line of clothing. Products range from caps and toques to T-shirts, golf shirts, sweaters, and sweatshirts in a variety of colours and styles.

In November, we will launch our full colour fashion brochure. A marketing plan is underway to approach producers, processing plants, transporters and Milk Boards across Canada.

During the 1988 dairy year, our Logo Marketing Booth was featured at *Milk's Super Seminar*, the Red River Exhibition and country fairs visited by the Milk Mobile. Initial response to our Milk Clothing has been excellent. We look forward to our continued growth in the retail market. ¶

NUTRITION EDUCATION

The milk producers of Manitoba, through their involvement in a variety of nutrition programs, support one of the most comprehensive community nutrition education networks in Canada.

The goals of Nutrition Education mirror those of Milk Boards and Foundations across the country: to increase consumption of fluid milk and dairy products. We accomplish this through an education program that has potential impact through the life cycle.

All programs are based on **health promotion**. Whether it is assisting a grade 3 teacher with classroom ideas, the right diet for an athlete, osteoporosis information for seniors or a nutrition workshop for nurses; we are able to help people meet their nutrient needs by encouraging milk and dairy product consumption as part of a balanced diet.

Our programs and information are based in scientific fact and carry Health and Welfare Canada's message to the consumer in an understandable manner. Accordingly, Milk Board nutrition programs are all held in high esteem by Provincial health and dietetic departments. The Dairy Industry is respected as a reliable, credible source of nutrition information right across the country.

The variety of programs we offer has increased over the past few years. Inservices are still requested regularly by daycare providers and teachers from kindergarten to grade 12. Teachers acquire sound nutrition principles and gain a variety of teaching ideas specific to their grade. Daycare providers learn feeding practices appropriate for preschoolers, which often increases the number of dairy products served per day.

To these successful programs we have added inservices for health professionals, care providers of seniors, coaches, and community programming on osteoporosis and calcium intake. These inservices are similar to our school workshops as they are based on the four food groups and sound nutrition principles.

We presently enjoy and look forward to a continued close association with Government Departments of Health and Education in providing credible and reliable nutrition information to Manitobans. ¶

ADVERTISING AND PROMOTION

The Board's promotion programs, combined with milk pricing stability, have been instrumental in fluid milk sales continued real growth in both volume and per capita consumption performance. The modest but steady growth in the Manitoba population is being matched by increases in fluid milk sales. The long term future will depend on there being no dramatic changes in the factors influencing the market for fluid milk.

Looking at milk's performance nationally, in 1987 milk represented 16% of all beverages consumed by Canadians, up from 15% in 1986. The best increase was for the 10-19 year olds where pop experienced a decline from 14% to 13%. Coffee has also seen a marked decline in this group.

Figure 1 Comparison of Class I Milk Sales Volume for Quota Years 1979/80 to 1987/88

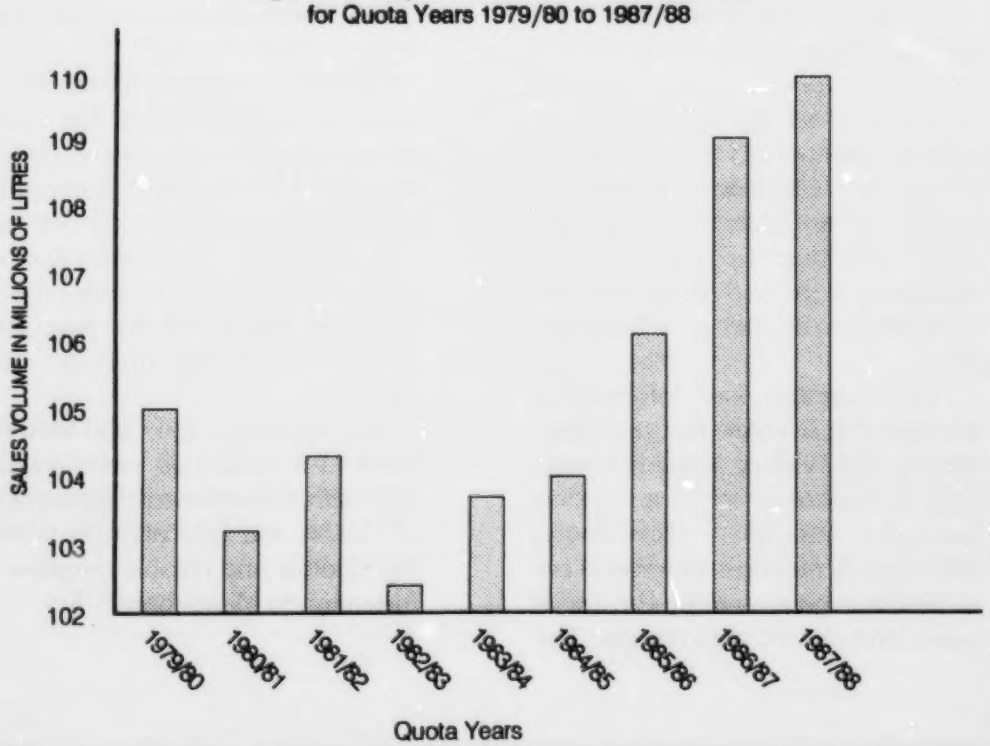
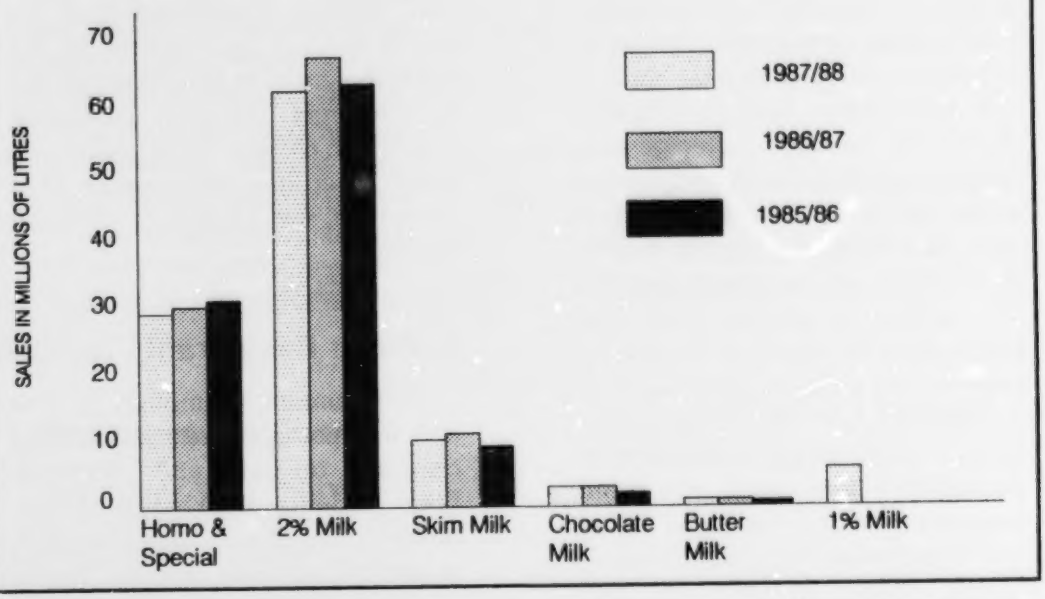


Figure 2 Comparison of Class I Sales Product of Quota Years 1986 - 1988



Television

The "*Milk yeah Milk*" campaign, targetted to teens, closed in March of 1988 after a three season duration. Our new campaign "*Maintain Your Cool*", purchased from the B.C. Dairy Foundation, began in the last cycle, Spring 1988 and resumed again in the Fall. The two commercials will be augmented by two new commercials in March 1989. Negotiations are underway with Ontario to continue usage of their calcium commercial in 1989. The television production and research costs are a joint venture with four other provinces, P.E.I., Nova Scotia, New Brunswick and Saskatchewan, which reduces our funding in these areas to twenty-eight per cent of the total.

Research

Fluid milk **usage and attitude** research along with television **track-**

ing studies have been directed by the Dairy Bureau of Canada on behalf of the provinces. In early June we researched the new B.C. "*Maintain Your Cool*" television campaign in each of the five provinces with the results being significantly positive to indicate continued usage.

Canadian Usage Panel (C.U.P.) research on beverage consumption patterns of Canadians has expanded its data base in all provinces with Manitoba's sample at 500. Since this is our first year to have the information separated from Saskatchewan, we will identify characteristics peculiar to this province.

National findings indicate that milk is losing share of the market among pre-teens with the main competitor being from juices rather than soft drinks. Soft drinks are really only a factor among teens. Until now we believed the greatest erosion of milk drinking occurred in the teens. Closer evaluation seems to suggest that preschoolers are directed down the milk drinking path or to other beverage alternatives, dependent on parental influence. Because we need to look at the psychological factors more closely, the provinces are considering fielding a **major national study on attitude**. In the meantime, we will address this target with new programs.

Youth Target 1988 is the second study of psychographic and demographic milk consumption purchased by all provinces from Creative Research Group. It provides a very practical understanding of the youth market and assists in the development of appropriate creative for the target. This year we have a significant change in the grouping which, over time, will indicate what direction we should follow in television.

Summer Restaurant Promotion

The summer promotion is, first and foremost, a major advertising campaign on radio and billboards. Four students were employed to deliver point-of-sale materials such as posters and table tents to the restaurants. Although some rural centers were visited, we concentrated mainly in Winnipeg and Brandon. At mealtime, the staff "spotted" milk drinkers who were entered in a draw for 30 Raleigh Mountain Bikes. The winners were drawn on radio CKY throughout the summer. Local television show hosts interviewed the spotters on a number of occasions when they demonstrated some new milk-shake recipes.

Milk Mobile

For the third year, the Milk Mobile travelled to fairs and exhibitions throughout the province. This year, we increased those events to twenty-three, including three days at the Manitoba Summer Games. When the vehicle wasn't at fairs, Canada Safeway allowed parking privileges at their Pembina Highway location, which provided some free advertising. This project will not be continued in 1989.

Milk's Super Seminar

"*Communicate, Motivate, Innovate - Meet the Challenge*" was our most successful seminar to date with 500 coaches from the province and nearly 100 turned away due to lack of space. The reasons for the overwhelming demand for this event had to be our keynote speaker, Rocky Bleier, formerly of the Pittsburgh Steelers, who attracted excellent media coverage and media attendance, and, of course, Bob Johnson, former coach of the Calgary Flames. Geoff Gowan, President of the Coaching Association of Canada and Cal Botterill, Sports Psychologist, University of Winnipeg, were the other presenters. Cal facilitated a panel of Olympic Level Athletes: Lisa Merritt — Rhythmic Gymnastics; Vaughn Karpan — Hockey; Lyndon Johnston — Figure Skating and our own Gaetan Boucher — Speedskating.

The Dairy Bureau of Canada committed $15,000 in sponsorship of Super Seminar along with financial support from the Manitoba Sports Federation, the Coaches Association of Manitoba through the Manitoba Sports Directorate and the Manitoba High Schools Athletic Association. Special thanks go to the seminar's standing committee for their ongoing support, hard work and enthusiasm.

Coach of the Year Award

In 1988 we initiated the first coaching award program in cooperation with the *Milk's Super Seminar*. Working closely with the Coaches Association of Manitoba, a selection committee was named to develop the criteria, assist in the marketing plan and finally select the finalists and award the winners. Four categories designed to recognize coaches from the grass-roots to

the elite level were selected. Further discussion may change this to three awards each year. Milk presented the Coaches of the Year with a gold watch award. In 1988, fifty-eight coaches were nominated for the recognition and sixteen finalists chosen.

Print Campaigns

A major purchase with the Winnipeg dailies in the January through March period capitalizes on their special annual media rates in the time frame when we have highest readership. This year and in 1989 the occasions will be divided among several concerns from milk prices, calcium issues, *Milk's Super Seminar* and the *Coach of the Year* awards.

Other print advertising has been tailored for each of the specific markets and will vary accordingly in "Seniors Today" newspaper, "Class Act" high school newspaper, "What a Magazine" for high school, "Western Living" magazine, "Going Places" by Manitoba Motor League, the "Winnipeg Jets" program and scores of smaller advertisements in school yearbooks to sport organization newsletters.

Radio Campaigns

Besides our major summer radio campaign with *"Maintain Your Cool"* and the milk spotter prizes campaign, we purchase radio during January through March to complement the print advertising. The continuous purchase on CJOB has been utilized to support the Milk's Super Seminar in the month of April. Along with the 30-second commercials are public service announcements (P.S.A.'s) about osteoporosis and the role of dairy calcium in the diet. In winter 1989 we expect to target younger females in the radio campaign which will mean a different selection of radio stations depending on the November B.B.M.'s (Bureau of Broadcast Measurement) Tapscan Report.

Manitoba AAA Basketball Tournament

Once again, the provincial High School Basketball Tournament was filmed by CBC-TV for rebroadcast on the following Sunday in a two-hour edited format. CBC provided their usual professional coverage, complete with colour commentary and interview segments. Milk's

presence was highly visible in banners, signages and trophy presentations. The Manitoba High Schools Athletic Association is responsible for the organization and successful execution of this prestigious event in school sport.

Promotional Activities

Our booth "Milk on Ice" continues to enjoy rave revues wherever it goes. We have added the Physical Education Teachers In-Service, the Parks and Recreation Conference, the Manitoba Sports Federation Annual Meeting and the Fitness Leaders Conference to an already busy schedule of fairs and exhibitions and the restaurant show *Centr-Ex*. You can see it at the Annual Meeting. It comes complete with white tuxedoed staff.

Television cooking segments continue to provide recipes on cooking with milk and milk products. CKY-TV and CKND-TV offer many opportunities for interviews with our staff on topics from Super Seminar to the Milk Spotter Campaign.

In co-operation with the Department of Agriculture, Marketing Branch, other Marketing Boards and producer organizations, several mall promotions are held each year in Winnipeg locations and recently in Altona, Steinbach and Brandon.

We provide promotional materials such as cow erasers, refrigerator magnets, posters and T-shirts to community groups and special events. Donations of milk to major provincial activities will be maintained at a low level.

Mrs. Adam, as provincial representative to the Dairy Bureau of Canada, assists in the development of the Bureau's marketing plan and the implementation and monitoring of their programs locally. ¶

PROCESSING PLANT AUDIT PROGRAM

The period under review, August 1, 1987 to July 31, 1988, shows an average of three visits to each processing plant. Each visit represents verification of reported milk utilization for a minimum of three months. The results of these audits are discussed with each processor, detailing any discrepancies found and stressing the importance of product and butterfat accountability. Any adjustment(s) found in the audit each month is summarized and included with our milk pool calculations to assure an accurate and updated pool price to producers.

The procedures, standards, and tests used by the audit department are duly examined by the Board's auditors.¶

TRANSPORTATION

Moving milk from producers to processing plants in the most efficient and least costly manner continues to be a primary objective of the Board. In this vein, the Board's activities in the field of transportation during the past year were directed to several diverse areas.

Assuming a leadership role in adapting to evolving technology, the Board held a very high profile and comprehensive information seminar on milk metering. The seminar, held in late November, 1987, was organized by the Board in order to acquaint Manitoba's processors, and other interested parties, with the complexities of milk metering. As a result of this seminar, the Board has been able to formulate and adopt a policy on milk meters which will meet the challenges of advancing technology.

After several months of consultations with transporters, the Board granted transporters a rate increase of about 1.3% effective January 1, 1988. Coincident with this increase, transporters also received retroactive adjustments for changes in payroll tax and workers compensation premiums which had been in place since January 1, 1987 and April 1, 1987 respectively.

The other significant change that took place at the same time was the switch from a gas to a diesel-powered truck as a standard; and the increase of the size of a standard tank to the maximum legal size. As well as bringing these items up to date, this change also has the effect of requiring fewer standard-sized units which have to be compensated for in the province.

The numbers and types of vehicles used by transporters remained unchanged from the previous year. During the last year, the Board was involved in several informational sessions with individual transporters during which the advantages of larger capacity transport units were pointed out to them. As a result, one transporter is now in the process of upgrading his fleet to larger trucks and tanks with a reduction of one complete truck from his present fleet size. This is calculated to improve the transporter's operating efficiency as well as achieve a reduction in costs in his service area. Since producer transportation charges are partially pooled, all producers will benefit from this im-

provement. It is hoped that these sessions will continue to bear fruit with more transporters moving to larger capacity units in the near future.

TRANSPORTATION STATISTICS

	1987/88	1986/87	% CHANGE
Volume Transported	2,763,453 HL	2,672,670 HL	+3.4%
Average Rate	$2.039/HL	$2.046/HL	-0.3%
Average Length of Route	181 km	182 km	-0.5%
Average No. of Routes	126	126	0%
No. of Paid Diversions	492	666	-26.1%

Total transportation costs for the year rose by 3.36% with a slight decrease in the per hectolitre cost as shown above. The number of paid diversions was reduced through ever more diligent efforts and planning. In addition to a reduction in numbers, a reduction in cost of about $19,000 for the year was also achieved. This represents a decrease of 15.5% in diversion expense.

In recent months, the Board has delved deeply into some very basic features of the transportation sector. Their main areas of concern presently are the transporter rate formula and the viability and/or feasibility of some of the milk movements now taking place. The transporter rate formula is being reviewed in detail with a view to major changes being made where they are proven necessary. Milk movements are also being studied in order to improve efficiency where possible and reduce costs without sacrificing either quality of service or net returns to producers.

As the transportation area of the dairy industry continues to change at an ever faster pace, it is mandatory that the Board become more deeply involved in managing these changes. The Board is quite fully prepared to institute fundamental changes wherever they are warranted in order to meet the challenges presented.

The Board acknowledges, with appreciation, the co-operation and efforts of all bulk milk transporters and drivers during the past year. It is hoped that the spirit of co-operation and goodwill can continue to serve the industry into the future. ¶

MARKET SHARE QUOTA

Effective August 1, 1987 it was estimated Manitoba milk producers could ship 719,166 litres per day to achieve 100% utilization of our provincial Market Share Quota (M.S.Q.). This estimate was made up as follows:

Fluid	317,564 L
Industrial	387,754 L
Special	13,848 L
	719,166 L

Active T.A.P. issued to producers effective August 1, 1987 remained unchanged at 718,307 L.

The following quota policy changes were announced, effective August 1, 1987:

1. The in-quota levy was reduced to $4.42 per HL (formerly $5.13 per HL). This levy applied to the 4% cover-off policy as well.

2. The over-quota levy, up to January, 1988, was reduced to $28.50 per HL (formerly $37.66 per HL).

On January 31, 1988, as a result of an increase in Canadian requirements, Manitoba's M.S.Q. was increased 1 1/2 per cent. At this time, producers were also advised of the following policy announcements:

1. The 4% cover-off policy would remain in place for the balance of the dairy year.

2. The special export quota of 2% would remain in place for the balance of the dairy year.

3. The in-quota levy would be reduced to $4.00 per HL, retroactively to August 1, 1987.

4. The reduced over-quota levy of $28.50 per HL, guaranteed to January 31, 1988, would remain in place until further notice.

These decisions enabled Manitoba to achieve an in-quota utilization of 101% and with over-quota milk, a utilization of 102.48%.

T.A.P. base for the new dairy year, commencing August 1, 1988 is estimated to be 729,455 litres per day, the sum of which was arrived at as follows:

Fluid Sales	320,921L	†
Industrial	408,534L	‡
	729,455L	

†estimated fluid sales of milk & cream
‡5,442,700 kg at 3.65 Kg/HL over 365 days

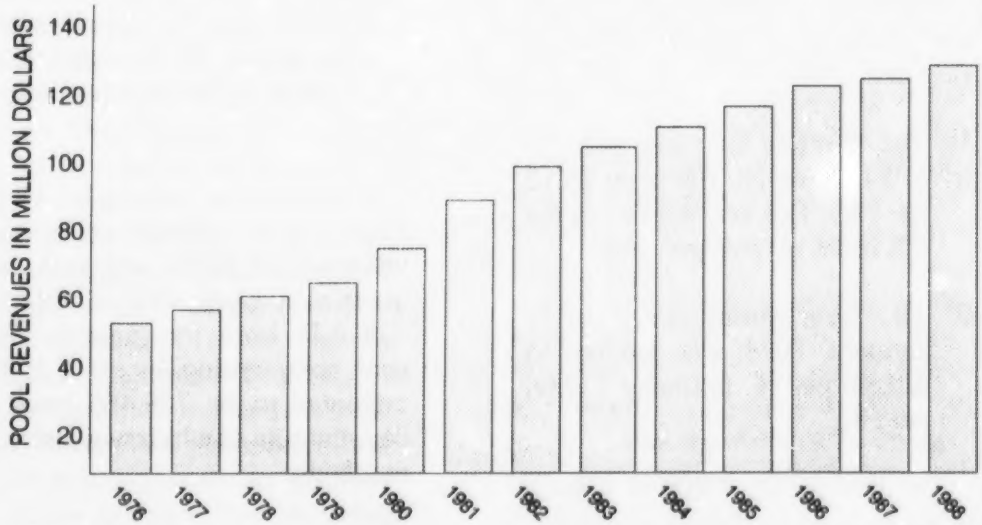
As a result of the above estimates, active T.A.P. was rolled forward 1% to all producers effective August 1, 1988.

The 4% cover-off was increased to 5% and is guaranteed until at least November 30, 1988. This amounts to an additional 12,131 litres in the system over a 365 day period (36,293 litres daily for the four months August, 1988 to November, 1988).

The in-quota levy for the new dairy year is $3.00 per hectolitre and the over quota levy is $26.00 per hectolitre.

The results of the 1987/88 quota periods expressed in the following graph showing total revenue of $125,751,131.00, up 3.0% from the previous year and an increase of 3.6% in total pool revenue per hecto-litre at $43.82. ¶

Figure 3 Total Pool Revenues For Quota Years 1978 to 1988
(in Million Dollars)



FARM SEPARATED CREAM PRODUCTION

The "special block" of cream Market Share Quota (M.S.Q.) available August 1, 1987 was increased from 1,153,000 kg to 1,170,300 kg effective January 31, 1988 as a result of a 1 1/2% increase in Manitoba's M.S.Q.

Utilization of Manitoba's cream M.S.Q. was extremely heavy during the dairy year and as a result, no additional permanent M.S.Q. was made available to producers from reserve. Some additional cream M.S.Q. was "loaned" to producers when it appeared that they may run out of cream M.S.Q. before year-end. This M.S.Q. was returned at year-end.

As of July 31, 1988 1329 registered cream producers had shipped 1,190,105 kg of butterfat to the province's 13 creameries. Cream quota utilization for the twelve months ending July 31, 1988 was 101.69 per cent. This is the first time since 1978 the Manitoba cream producers have utilized 100% of available quota.

This "special block" of cream M.S.Q. remains unchanged for the new quota period commencing August 1, 1988. Producer levies remain as follows:

Board administration	3.9 ¢/kg butterfat
Service charge	
- market expansion	2.0 ¢/kg butterfat
Over-quota levy	$4.00 per kg

Cream M.S.Q. maintenance is in place for the 1988/89 dairy year at 85% utilization. There will be no maintenance on cream M.S.Q. received by transfer during the last half of the dairy year (February-July). Approximately 674 transfers were processed by The Manitoba Milk Producers' Marketing Board offices during the year. The Cream Advisory Committee of the Milk Board met three times during the 1987/88 dairy year. ¶

NATIONAL DAIRY POLICY

The National Market Sharing Quota was increased to 47.3 million HL by the C.M.S.M.C. in February, 1988.

On February 1, 1988 Agriculture Minister, John Wise, announced increases to the target price for industrial milk and to support prices for butter and skim milk powder as follows: industrial milk from $46.48 per HL to $47.06 per HL (+1.2%); skim milk powder - $3.013 per kg from $2.978 per kg (+1.2%); butter - $5.102 per kg from $5.035 per kg (+1.3%). It was noted, the target price for industrial milk ($47.06 per HL) includes a 0.14 cents per HL surcharge to assist in financing the carrying charges associated with the marketing of butter.

The target price is established according to a new pricing mechanism. This mechanism is based on cost-of-production surveys and replaces the Returns Adjustment Formula in use since 1975. The surveyed costs include cash costs, a return on equity, a return on owner/operator and family labour and a management fee, but exclude any costs associated with the acquisition of quota. Cost of production will be calculated by averaging the 70 per cent of surveyed farms with the lowest costs, since they represent the most efficient farms.

Under the new mechanism, the target price will be set annually in August, at the beginning of each dairy year, based on surveyed results from the previous year. An indexing method will be used to review the price midway through the year and adjustments will be made in February if the change is two per cent or more. For February 1, 1988, only, the target price is based on surveyed costs for 1986, indexed through to the third quarter of 1987.

The new method for setting this target price will benefit producers because increases in their costs will be reflected promptly in the pricing structure. Consumers will directly benefit from increases in productivity and other factors which may reduce production costs in future. ¶

RETIREMENT & QUOTA REDISTRIBUTION SYSTEM

For the twelve month quota period ending July 31, 1988 there were eight monthly quota re-allocations of T.A.P. There were ten requests for cancellation of T.A.P. during this period (3,251 litres) representing 0.45% of our total T.A.P. alloted. This low volume of T.A.P. cancellation allowed one new producer to commence milk production and reduced the existing milk producer waiting list for addtional quota by 20 names.

The Board is negotiating changes to this policy with the Natural Products Marketing Council.

AUGUST 1, 1987 TO JULY 31, 1988

	Totals
Cancelled	3251
Number of Producers	10
Requests for Reallocation	951
Number of Producers	17
Free Distrubtion:	
Existing Producers (l)	2000
Number of Producers	20
New Producers (l)	300
Number of Producers	1

REVIEW OF MILK PRODUCTION AND MARKETING

Manitoba milk production for the dairy year ending July 31, 1988 was 276,345,349 litres which was an increase of 9,078,317 litres or 3.40% over the previous dairy year. Manitoba averaged 23,028,779 litres of milk production per month. The lowest production on a daily average was 723,656 litres in October and the highest daily average of 783,326 litres was in March. (See Figures 4 & 5 for monthly production.) Manitoba continues to be one of the most level milk producing provinces in Canada.

Manitoba's average butterfat test for the twelve months ending July

Figure 4 Comparison of Monthly Milk Production for Dairy Years 1987/88 and 1986/87

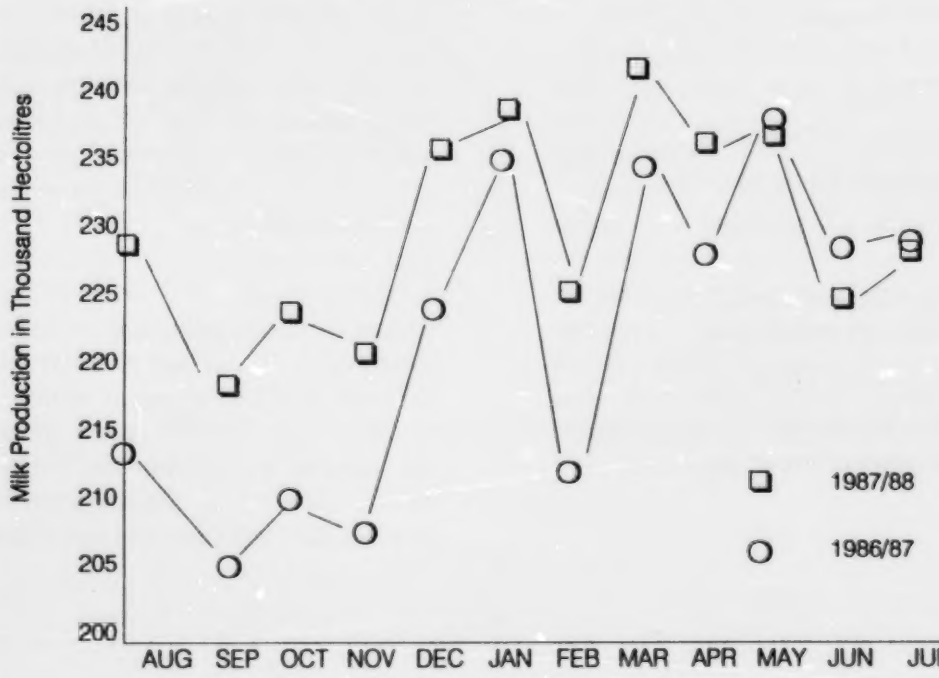
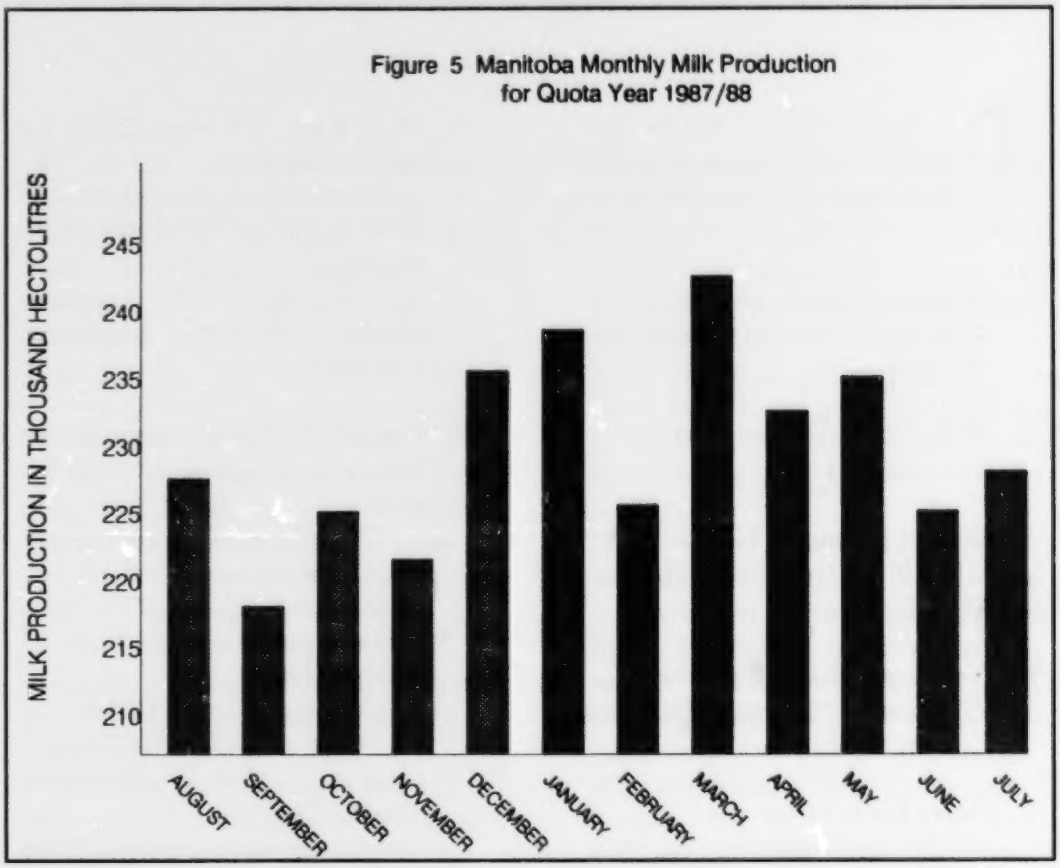


Figure 5 Manitoba Monthly Milk Production for Quota Year 1987/88



31, 1988 was 3.62970 kg/HL.

Canadian markets for industrial milk products increased over the previous dairy year resulting in a net increase in consumption of 1.3 per cent. Fluid sales were up 0.9% over the previous year.

The Canadian Dairy Commission's target return for industrial milk products remained unchanged effective August 1, 1988. Pool returns in Manitoba for Class I milk effective August 15, 1988 are $54.11 per HL (increase of $2.21 per HL). ¶

ASSESSMENTS AND LEVIES

The deductions made on payments to producers for marketing costs are currently as follows:

1. **Transportation** — variable rates according to volume and distance.

2. **Milk Pool Administration** — 14 cents per HL.

3. Board operation - 20.4 cents per HL (Manitoba Regulation 444/87).

4. **Northern Equalization** — 2.74 cents per HL (Manitoba Regulation 85/82).

5. **Dairy Promotion**
   — 59 cents per HL on milk production (Manitoba Regulation 445/87)
   — 2 cents per kg on farm separated cream (Manitoba Regulation 211/85).

6. **Market Share Quota Administration**
   — 14 cents per HL on industrial milk portion of total milk shipments
   — 3.9 cents per kg on cream shipments (Manitoba Regulation 160/84)

7. **Canadian Dairy Commission levies** to dispose of surplus stock:
   — Within quota levy - $3.00 per HL on the industrial milk portion of shipments up to 100%* of a milk producer's T.A.P. Year-to-Date.
   — Over-quota levy - $26.00 per HL on all milk over 100%* of a producer's T.A.P. allotment Year-to-Date.
   — holdback from subsidy - 30.15 cents per HL on Class I volume (fluid skim-off levy)

*Add the percentage of cover-off, if applicable. ¶

COMPUTER OPERATIONS

Facsimile equipment was added to the Board's facilities for information exchange during the year. The ability to transmit over telephone lines not only narrative comments but pictorial information has proven valuable. Messages exchanged during the period of building the Board's new offices and laboratory gave much quicker responses to questions that arose. Without the capability of providing a "picture", the necessary decisions would have been delayed.

The increased use of the personal computers in the Board offices has meant that there has been faster and improved reports available. The Board meetings have been provided with graphic depictions of trends in milk and cream production, Market Share Quota utilization, Class I sales and other pertinent data to support the decision making process. The number of staff members using the personal computers has expanded and will continue to do so in the future. The data processing department staff have been involved in conducting training programs in-house to extend the use of the personal computers.

The Board's mainframe computer has been reviewed and there will be an expansion of the memory undertaken to provide more processing power. This will be necessary to incorporate the results from the new laboratory for milk producer cheques and future milk recording information. ¶

M.M.P.M.B. STANDING COMMITTEES

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STANDING ADVISORY COMMITTEES

Executive: L. Balcaen, C. Finnie, J. van den Ham

Cost Of Production
- L. Balcaen, Chairman
- R. Dueck
- A.E. Ens

Finance
- C. Finnie, Chairman
- A. V. Rampton
- J. van den Ham, Secretary

Cream Advisory
- L. Balcaen, Chairman
- C.J. Knockaert
- P. Ginter
- F. Kolesar
- P. Leochko
- J. Wityshyn

Dairy Promotion
- A. Goresky
- C.J. Knockaert
- A.V. Rampton
- J. van den Ham
- M.E. Adam
- B.L. Fraser
- A.J. Gale
- P.A. McCarthy Briggs

Multiple Component Testing
- L. Balcaen
- R. Dueck
- N. Van Ryssel

Laboratory
- L. Balcaen
- C. Finnie
- A.V. Rampton
- N. Van Ryssel

Transportation
- A. E. Ens
- C. Finnie
- A. Goresky

Supply & Allocation
- R. Dueck
- A. Goresky
- C.J. Knockaert

Processor Relations
- L. Balcaen
- A. E. Ens
- C. Finnie

◊◊◊◊◊

Canadian Milk Recording
N. Van Ryssel

Canadian Milk Supply Management

L. Balcaen
C. Finnie
W.J.S. Wade

Dairy Bureau Of Canada
A.V. Rampton, Director

Dairy Farmers of Canada
L. Balcaen, Director
N. Van Ryssel, Director

Manitoba Agricultural Employment Development
C. Finnie

Keystone Agricultural Producers
J. van den Ham

Manitoba Agricultural Services Co-ordinative Committee

C. J. Knockaert

Manitoba Milk Recording
N. van Ryssel

NACDAI
N. Van Ryssel

MEETINGS & ELECTIONS

BOARD MEETINGS

During the twelve months ending July 31, 1988, a total of 20 regular meetings of the Board were convened. Since a number of the meetings held were of more than one day's duration, in all a total of 32 days were involved. Many additional days of Members' time were taken up in attendance at meetings of the various committees of the Board and of other organizations with which the Board is affiliated. ¶

DISTRICT ELECTIONS

Nominations were called during October, 1987 for Board Members to represent Districts No. 1, 4, and 7. In Districts No. 1 and 4 Board Members A.V. Rampton and C.J. Knockaert respectively were in by acclamation. An election was held in District No. 7 with Mr. Abe Ens being declared elected to represent this district.

Terms of office for Board Members representing Districts No. 2, 5, and 8 expire in December of this year and nominations have been called for these districts. ¶

DISTRICT MEETINGS

During the Spring of 1988, a total of 29 meetings in the various milk producing areas of the Province were held.

In addition, as stipulated in the Administration By-Law No. 1/87 of the Board, an Annual District Meeting was held during the period October 1st to the 20th, 1988 in each of the 9 electoral districts into which the Province is divided for Board purposes. The Notice of Meeting, mailed to producers, is reproduced on the following page.

NOTICE OF ANNUAL DISTRICT MEETINGS 1988

Annual District Meetings of The Manitoba Milk Producers' Marketing Board will be held at **8:00 P.M.** on the dates listed below:

District 1	Tuesday October 18	DAUPHIN, Manitoba Manco Plant
District 2	Monday October 17	BRANDON, Manitoba Agricultural Extension Centre
District 3	Thursday October 6	PORTAGE LA PRAIRIE, Manitoba Manitobah Inn Portage Bypass
District 4	Tuesday October 11	BRUXELLES, Manitoba Parish Hall
District 5	Friday October 7	TEULON, Manitoba Teulon-Rockwood Centennial Centre
District 6	Wednesday October 12	BEAUSEJOUR, Manitoba Brokenhead Municipal Office
District 7	Thursday October 13	WINKLER, Manitoba Friendship Centre
District 8	Monday October 10	LA BROQUERIE, Manitoba Club de l'amitie 97 Principale Street
District 9	Monday October 3	GRUNTHAL, Manitoba Green Valley School Library

Elections for Board Member will be conducted this year in Districts No. 2, 5 and 8. Official nomination papers are available on request from the Secretary or may be obtained at the time of the meeting in the districts in which an election is to be held.

The following subjects will be discussed plus any that you wish to raise:

1. Introduction
2. Minutes of Previous Meeting
3. Quota Policy Update
4. Laboratory
5. New Office Building
6. District Committee (meetings)
7. Other Business

In the event it is inconvenient for you to attend the Annual District Meeting scheduled for your area, you are welcome to attend any other Annual District Meeting.

Dated at Winnipeg in Manitoba this 12th day of September, 1988.

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
36 Scurfield Blvd.
Winnipeg, Manitoba
R3T 3N5

MANITOBA MILK POOL RESULTS

MANITOBA MILK POOL RESULTS
AUGUST 1987 TO JULY 1988

Total Manitoba Production	276,345,349
Shipments from O.M.M.B.	306,558
Total Pool	276,651,907

BASIS 3.6 KG/HL

	Litre each Class	Value per HL	Net Pool Revenue
Class 1	109,883,863	$51.90	
Class 2	7,136,049	45.01	
Class 2A	11,471,891	44.30	
Class 2B	5,915,145	44.13	
Class 3	38,742,208	40.14	
Class 3A	30,351,803	40.48	
Class 4	7,209,741	41.15	
Class 5	40,161,888	40.32	
Class 6	95,162	40.03	
Class 7	735,623	39.91	
Unsaleable	78,489	40.10	
Production Within D.E.	251,781,862	45.79257	
Less Diversion Costs		0.03789	
Pool Administration		0.14000	
Price/HL Within D.E.		$45.61462	$114,849,343.04
Production Over D.E. (Class 3)	2,551,544	40.13031	1,023,942.52
Production For Export (Class 3)	2,630,172	39.99388	1,051,907.72
Production Over T.A.P. (Class 3)	19,277,733	39.99731	7,710,575.32
Institutional (Class 3)	104,038	39.90361	41,514.92
O.M.M.B. Shipments	306,558	39.91000	122,347.30
Total Pool	276,651,907	$ 45.11071	$ 124,799,630.82

Fluid and Industrial Utilization Summary

Manitoba Production Within 100% of T.A.P.		254,437,444 L	100.0000%
Less Litres Ineligible for Subsidy:			
Used for Class 1 (Fluid) (43.1870%)	109,883,863 L		
Add 6.2% for Creams	6,812,798 L	116,696,661 L	45.8646%
Balance Used for Manufactured Products (Eligible for Subsidy)		137,740,783 L	54.1354%
Export & Over/T.A.P. Production	21,907,905 L		

Average Butterfat content 3.62970 kg/HL in Manitoba Production.

PRICES PAID BY PROCESSORS FOR EACH CLASS OF UTILIZATION

(Dollars per hectolitre)

	June 1987	September 1987	June 1988	September 1988
Class 1	51.90	51.90	51.90	54.11
Class 2	44.73	44.73	45.31	45.31
Class 2A	44.02	44.02	44.60	44.60
Class 2B	43.80	43.80	44.38	44.38
Class 3	39.99	39.91	40.49	40.49
Class 3A	39.99	39.91	40.85	40.85
Class 4	40.67	40.59	41.53	41.53
Class 5	40.03	40.03	40.61	40.61
Class 6	39.99	39.91	40.49	40.49
Class 7	39.99	39.91	40.49	40.49

FEDERAL SUPPORT PRICES & SUBSIDIES

FEDERAL DAIRY PRODUCT SUPPORT PRICES
1983 - 1988
(Dollars per kilogram)

	Skim Milk Powder	Butter	Cheddar Cheese
August 1, 1983	2.72	4.55	1.32
January 1, 1984	2.74	4.60	1.32
April 1, 1984	2.79	4.71	1.32
August 1, 1984	2.85	4.784	1.32
August 16, 1985	2.922	4.929	1.32
August 1, 1986	2.978	5.035	1.32
February 1, 1988	3.013	5.102	1.32

FEDERAL SUBSIDIES PAYABLE ON INDUSTRIAL MILK DELIVERIES WITHIN M.S.Q.
(Dollars per unit)

	Milk HL	Butterfat kg
August 1, 1983	6.03	1.675
August 1, 1984	6.03	1.675
August 1, 1985	6.03	1.675
August 1, 1986	6.03	1.675
August 1, 1987	6.03	1.675
August 1, 1988	6.03	1.675

AUDITORS' REPORT

MAY & EILER
CHARTERED ACCOUNTANTS
WINNIPEG AND ALTONA
MANITOBA

W. C. MAY, C.A.
L. K. EILER, B.A., C.A.

To the Registered Producers of The Manitoba
Milk Producers' Marketing Board:

We have examined the statement of financial position of The Manitoba Milk Producers' Marketing Board as at July 31, 1988 and statements of operations of milk pool, administrative, transportation, quota reallocation, promotional and northern allowance funds and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Board as at July 31, 1988 and the results of its operations and the changes in its cash position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MAY & EILER
Chartered Accountants

Winnipeg, Manitoba
September 28, 1988

STATEMENT OF FINANCIAL POSITION

EXHIBIT A

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 1988

	1988	1987
CURRENT ASSETS:		
Cash	$ 3,754,254	$ 4,869,979
Accounts receivable	10,376,665	10,143,840
Prepaid expenses	78,193	62,138
Total current assets	14,209,112	15,075,957
CURRENT LIABILITIES:		
Producer cheques - unissued	8,779,102	8,733,903
Accounts payable and accrued liabilities	4,968,228	4,851,270
Total current liabilities	13,747,330	13,585,173
WORKING CAPITAL	461,782	1,490,784
PROPERTY, BUILDING AND EQUIPMENT:		
at cost	953,112	288,020
Less accumulated depreciation	248,022	210,756
Net property, building and equipment	705,090	77,264
OTHER ASSETS:		
Laboratory equipment and start-up costs of subsidiary company (Note 5)	345,363	-
REGISTERED PRODUCERS' EQUITY AND CAPITAL EMPLOYED	$ 1,512,235	$ 1,568,048
Represented by retained income (deficit) in following Funds:		
Milk Pool Administration (Exhibit C)	$ 2,049,079	$ 1,774,084
Board General (Exhibit C)	(570,200)	(460,351)
Market Sharing Plan (Exhibit C)	(67,232)	(54,195)
Transportation (Exhibit D)	-	248,168
Quota Reallocation (Exhibit E)	64,361	30,525
Promotional (Exhibit F)	-	-
Northern Allowance (Exhibit G)	36,227	29,817
	$ 1,512,235	$ 1,568,048

Approved by the Members

Louis Balcaen

Craig Finnie

STATEMENT OF MILK POOL FUND OPERATIONS

EXHIBIT B

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF MILK POOL FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1988

	1988	1987
INCOME:		
Milk sold to processors	$ 125,751,131	$ 122,126,611
Total income	125,751,131	122,126,611
DISTRIBUTION:		
Payments to producers:		
Net payments to producers	107,827,121	103,628,239
Deductions for Board controlled Funds -		
Milk Pool Administration (Ex. C)	386,883	374,174
Board General (Ex. C)	552,458	518,498
Market Sharing Plan (Ex. C)	223,510	212,053
Promotional (Ex. F)	1,574,006	1,421,982
Transportation (Ex. D)	5,636,174	5,480,308
Northern Allowance (Ex. G)	75,719	73,231
Deductions determined by others:		
Canadian Dairy Commission	9,326,169	9,886,387
Manitoba Milk Producers Co-op Inc.	-	80,011
Other deductions:		
Quality penalty levy (Ex. C)	26,040	45,219
Total distribution to producers	125,628,080	121,720,102
Payments to other marketing boards:		
Ontario Milk Marketing Board	122,027	403,198
Deductions for Board controlled Funds:		
Milk Pool Administration (Ex. C)	429	1,388
Board General (Ex. C)	595	1,923
Total distribution to others	123,051	406,509
Total distribution	125,751,131	122,126,611
UNDISTRIBUTED INCOME FOR THE YEAR	-	-
UNDISTRIBUTED INCOME AT BEGINNING AND END OF THE YEAR	$ -	$ -
VOLUME OF MILK (000's of litres)	276,652	268,258

STATEMENT OF ADMINISTRATIVE FUNDS OPERATIONS

EXHIBIT C

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF ADMINISTRATIVE FUNDS OPERATIONS
FOR THE YEAR ENDED JULY 31, 1988

	Milk Pool Administration	Board General	Market Sharing Plan	Total 1988	Total 1987
INCOME:					
Deductions (Ex. B)					
Milk producers	$ 386,883	$ 552,458	$ 223,510	$ 1,162,851	$ 1,104,725
Other boards	429	595	-	1,024	3,311
Quality penalties	26,040	-	-	26,040	45,219
Cream producers	-	-	46,415	46,415	44,326
Other income	17,472	240	-	17,712	210
	430,824	553,293	269,925	1,254,042	1,197,791
EXPENSE:					
Annual meeting	-	17,595	-	17,595	18,565
Data processing	10,380	-	6,792	17,172	13,049
Depreciation	15,279	3,727	8,198	27,204	27,909
Communication	18,571	17,889	10,063	46,523	39,889
Members' per diem and travel(Note 4)	-	201,274	32,984	234,258	215,762
Memberships	-	30,236	-	30,236	29,940
New market incentive	21,946	-	-	21,946	-
Office occupancy	36,111	9,079	19,138	64,328	67,349
Office supplies	22,687	8,800	7,400	38,887	25,424
Professional fees	14,448	272,933	7,962	295,343	246,180
Grants	-	19,406	-	19,406	19,050
Salaries and benefits	314,374	53,195	174,147	541,716	500,659
Staff travel	8,855	19,880	12,700	41,435	31,243
Other	11,401	9,128	3,578	24,107	22,682
	474,052	663,142	282,962	1,420,156	1,257,701
(LOSS) FOR THE YEAR	(43,228)	(109,849)	(13,037)	(166,114)	(59,910)
APPROPRIATION(TO)FROM OTHER FUNDS	318,223	-	-	318,223	(49,538)
RETAINED INCOME (DEFICIT) AT BEGINNING OF THE YEAR	1,774,084	(460,351)	(54,195)	1,259,538	1,368,986
RETAINED INCOME (DEFICIT) AT END OF THE YEAR	$ 2,049,079	$ (570,200)	$ (67,232)	$ 1,411,647	$ 1,259,538

STATEMENT OF TRANSPORTATION FUND OPERATIONS

EXHIBIT D

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF TRANSPORTATION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1988

	1988	1987
INCOME:		
Producer deductions (Ex. B)	$ 5,636,174	$ 5,480,308
EXPENSE:		
Transporter payments -		
Assigned plant deliveries	5,521,622	5,340,855
Diversions	104,166	130,719
Extra pick-up	4,986	2,672
Professional fees	5,400	5,400
Other	-	662
	5,636,174	5,480,308
NET INCOME (LOSS) FOR THE YEAR	-	-
RETAINED INCOME AT BEGINNING OF THE YEAR	248,168	248,168
APPROPRIATION TO MILK POOL ADMINISTRATION FUND	(248,168)	-
RETAINED INCOME AT END OF THE YEAR	$ -	$ 248,168

STATEMENT OF QUOTA REALLOCATION FUND OPERATIONS

EXHIBIT E

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF QUOTA REALLOCATION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1988

	1988	1987
INCOME:		
Administration fees on quota reallocated	$ 260,844	$ 291,575
EXPENSE:		
Retirement allowances paid on quota cancelled	227,008	261,050
NET INCOME FOR THE YEAR	33,836	30,525
RETAINED INCOME AT BEGINNING OF THE YEAR	30,525	-
RETAINED INCOME AT END OF THE YEAR	$ 64,361	$ 30,525

STATEMENT OF PROMOTIONAL FUND OPERATIONS

EXHIBIT F

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF PROMOTIONAL FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1988

	1988	1987
INCOME:		
Producer deductions - (Ex. B)	$ 1,574,006	$ 1,421,982
- Cream	23,801	22,567
Interest income	487,993	452,087
	2,085,800	1,896,636
EXPENSE:		
Media advertising-		
National - Dairy Bureau of Canada	1,283,745	1,232,576
Provincial	171,420	149,852
Depreciation	10,062	10,322
Members' per diem and travel (Note 4)	4,068	4,552
Occupancy	23,487	24,254
Postage and telecommunication	19,208	15,244
Special event sponsorship	31,480	25,082
Promotional materials	177,852	207,154
Salaries and benefits	209,295	194,203
Staff travel	24,517	31,281
Other	60,611	51,654
	2,015,745	1,946,174
NET INCOME (LOSS) FOR THE YEAR	70,055	(49,538)
APPROPRIATION (TO)FROM MILK POOL ADMINISTRATION FUND	(70,055)	49,538
RETAINED INCOME AT BEGINNING OF THE YEAR	-	-
RETAINED INCOME AT END OF THE YEAR	$ -	$ -

STATEMENT OF NORTHERN ALLOWANCE FUND OPERATIONS

EXHIBIT G

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF NORTHERN ALLOWANCE FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1988

INCOME:	1988	1987
Producer deductions (Ex. B)	$ 75,719	$ 73,231
EXPENSE:		
Payments to northern producers	69,309	70,498
NET INCOME FOR THE YEAR	6,410	2,733
RETAINED INCOME AT BEGINNING OF THE YEAR	29,817	27,084
RETAINED INCOME AT END OF THE YEAR	$ 36,227	$ 29,817

STATEMENT OF CHANGES IN CASH POSITION

EXHIBIT H

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED JULY 31, 1988

	1988	1987
OPERATING ACTIVITIES:		
(Loss) net income of Funds -		
Administrative Funds (Ex. C)	$ (166,114)	$ (59,910)
Transportation Fund (Ex. D)	-	-
Quota Reallocation Fund (Ex. E)	33,836	30,525
Promotional Fund (Ex. F)	70,055	(49,538)
Northern Allowance Fund (Ex. G)	6,410	2,733
Milk Pool Fund (Ex. B)	-	-
	(55,813)	(76,190)
Non-cash items included in above -		
Depreciation of equipment	37,265	38,231
	(18,548)	(37,959)
INVESTING ACTIVITIES:		
Purchase of property, building, equipment	(665,092)	(29,894)
Investment in equipment, start-up costs of subsidiary company	(345,362)	-
	(1,010,454)	(29,894)
INCREASE(DECREASE)IN WORKING CAPITAL POSITION FOR THE YEAR	(1,029,002)	(67,853)
CASH PROVIDED BY (USED IN) OPERATION OF NON-CASH WORKING CAPITAL COMPONENTS	(86,723)	1,146,995
INCREASE(DECREASE) IN CASH POSITION FOR THE YEAR	(1,115,725)	1,079,142
CASH POSITION AT BEGINNING OF THE YEAR	4,869,979	3,790,837
CASH POSITION AT END OF THE YEAR	$ 3,754,254	4,869,979

( ) denotes use of funds

NOTES TO FINANCIAL STATEMENTS

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
JULY 31, 1988

1. Summary of Activities and Significant Accounting Policies:

The Manitoba Milk Producers' Marketing Board is responsible under the statutes of Manitoba for the control and regulation of the marketing of milk in the province.

Milk Pool Fund

(a) Selling prices - The value of milk sold to processors is determined by its final product use. The Board sets the prices charged to processors except for Class I milk which is set by the Manitoba Milk Prices Review Commission. For purposes of accountability to producers the Board credits income from processor sales to a milk pool fund.

(b) Cost of sales - Income from processor sales in the milk pool fund referred to above is paid to the individual producers based on the quality and quantity of milk shipped. The operation of the milk pool is accounted for in Exhibit B.

Producer Deduction Funds

Operating expenses - The Board is authorized through provincial statute to deduct fees from producer milk pool payments to cover operating expenses. Such deductions are accounted for separately in Exhibits C, D, F and G.

Office Equipment and Improvements

Office equipment and improvements are generally valued at cost. Depreciation is provided for on the straight-line basis over an estimated life of 5 years for equipment and the lease term for improvements.

2. Commitments:

Construction in progress
Contracts to construct an office building at a cost of $688,000. At July 31, 1988 $170,000 remained unpaid on these contracts.

Operating leases
Operating lease for office space at a base rental of $56,520 per annum until March 31, 1989. Annual share of property taxes, maintenance and electrical costs are added to this rental.

Operating lease for office equipment at base rental of $8,199 per annum until March, 1994.

Lease payments in the next 5 fiscal years are 1989 - $46,358, 1990 - $9,893, 1991 - $11,277, 1992 - $12,856, 1993 - $14,655.

3. Pension Plan:

Employees of the Board participate in the Manitoba Civil Service Superannuation Board pension plan which is a defined benefit plan. The Board participates in the plan on a defined contribution basis whereby it contributes to the plan a fixed amount equal to the amount contributed by the employees. Pension expense of $37,898 represents the fixed contributions made during the year and is included in salaries and benefits.

☞

4. Elected Members Per Diem and Travel Expenses:

Members are paid a per diem of $140 and the Chairman $175 for time spent at meetings or on business matters of the Board.

	Per Diem	Expenses
L. Balcaen - Chairman	$ 37,214	$ 31,867
C. Finnie - Vice-Chairman	13,312	9,831
J. van den Ham, Executive Member	12,886	9,540
R. Dueck	9,220	4,387
A. Ens	4,202	3,174
A. Goresky	8,081	2,573
A.V. Rampton	30,118	16,786
C.J. Knockaert	11,945	7,889
N. Van Ryssel	11,751	8,691
J.D. Wilton	3,037	1,821
	$ 141,766	$ 96,559
1987	$ 135,418	$ 84,895

5. Subsidiary Company:

In May, 1988 MFC Testing and Research Inc. was incorporated to carry out laboratory analysis of milk. This company will be a wholly-owned subsidiary of the Board. The subsidiary company did not operate in the 1988 fiscal year. Equipment acquired at a cost of $289,980 and start-up costs incurred of $55,383 will be transferred to the subsidiary company on commencement of operations in 1989.

6. Comparative Figures:

Certain of the 1987 comparative figures have been reclassified to conform with the current year's presentation.

7. Litigation:

The Board is involved as a plaintiff in a lawsuit the outcome of which cannot presently be determined with certainty. This contingent gain has not been recognized in the accounts. ¶

EXTRACTS FROM THE MANITOBA GAZETTE

11/28/87 The Manitoba Gazette Vol. 116, No. 48 Gazette du Manitoba N20-378-87

THE NATURAL PRODUCTS MARKETING ACT
(C.C.S.M. c. N20)

Manitoba Milk Marketing Sharing Plan Regulation, amendment

Regulation 378/87
Filed November 12, 1987

Section 6 and 7 amended
1 The Manitoba Milk Market Sharing Plan Regulation, Manitoba Regulation 246/87 R, is amended by striking out "196 kilograms" wherever it occurs in section 6 and clause 7(1)(b) and substituting "191 kilograms".

Subsection 4(3) repealed
2 Subsection 4(3) is repealed.

The Queen's Printer
for the Province of Manitoba

LOI SUR LA COMMERCIALISATION DES PRODUITS NATURELS
(C.P.L.M., c N20)

Modification du Programme manitobain pour le partage du marché du lait

Règlement 378/87
Date de dépôt: le 12 novembre 1987

Modification des articles 6 et 7
1 Le Programme manitobain pour le partage du marché du lait, règlement du Manitoba 246/87 R, est modifié par la suppression des termes "196 kilogrammes" au paragraphe 6 et à l'alinéa 7(1)b) et leur remplacement par les termes "191 kg".

Abrogation du paragraphe 4(3)
2 Le paragraphe 4(3) est abrogé.

L'Imprimeur de
la Reine du Manitoba

12/26/87 The Manitoba Gazette Vol. 116, No. 2 Gazette du Manitoba N20-444/87

THE NATURAL PRODUCTS MARKETING ACT
(C.C.S.M. c. N20)

Milk Administration Fee Regulation*

Regulation 444/87
Filed December 9, 1987

Fee imposed
1 The fee is hereby imposed on each producer of 20.4¢ for each hectolitre of milk marketed by him.

Collection of fee
2 The fee imposed by this regulation shall be due and payable by the producer to this Board at the time and place of marketing of the milk by the producer, and may be deducted as a first charge against the moneys which this Board receives from the sale of such milk.

Exemption from fee
3 The fee imposed by this regulation is subject to exemptions provided in subsection 28(2) of the Plan which presently reads as follows:

28(2) This regulation does not apply to:
(a) milk which is used by the producer of that milk for consumption or to manufacture or produce products which are consumed by that producer and his immediate family or any one of them;
(b) cream separated from milk on the farm on which the milk is produced and the cream is sold for manufacture into butter; and
(c) milk produced and processed by the University of Manitoba or the Rockwood Institution.

Repeal
4 Manitoba Regulations 247/74 and 174/84 are repealed.

Coming into force
5 This regulation comes into force on the first day of January, 1988.

October 27, 1987

THE MANITOBA MILK PRODUCERS' MARKETING BOARD:

A.V. Rampton
Chairman

R.L. Seekings
Secretary

APPROVED
December 8, 1987 T

THE MANITOBA NATURAL PRODUCTS MARKETING COUNCIL:

David Gislason
Chairman

Gordon H. MacKenzie
Secretary

* This regulation is made under Manitoba Producers' Marketing Plan Regulation, Man. Reg. 247/87 R and is Regulation 3/87 of The Manitoba Milk Producers' Marketing Board.

The Queen's Printer for the Province of Manitoba

THE NATURAL PRODUCTS MARKETING ACT
(C.C.S.M. c. N20)

Dairy Promotion Fee Regulation*

Regulation 445/87
Filed December 9, 1987

Fee imposed
1. The fee is hereby imposed on each producer of 59¢ for each hectolitre of milk marketed by him.

Collection of fee
2. The fee imposed by this regulation shall be due and payable by the producer to this Board at the time and place of marketing of the milk by the producer, and may be deducted as a first charge against the moneys which this Board receives from the sale of such milk.

Exemptions from fee
3 The fee imposed by this regulation is subject to the exemptions provided in subsection 28(2) of the Plan which presently reads as follows:

28(2) This regulation does not apply to:
(a) milk which is used by the producer of that milk for consumption or to manufacture or produce products which are consumed by that producer and his immediate family or any one of them;
(b) cream separated from milk on the farm on which the milk is produced and the cream is sold for manufacture into butter; and
(c) milk produced and processed by the University of Manitoba or the Rockwood Institution.

Repeal
4 Manitoba Regulations 90/75 and 273/86 are repealed.

Coming into force
5 This regulation comes into force on the first day of January, 1988.

October 27, 1987

THE MANITOBA MILK PRODUCERS'
MARKETING BOARD:

A.V. Rampton
Chairman

R.L. Seekings
Secretary

APPROVED
December 8, 1987

THE MANITOBA NATURAL PRODUCTS
MARKETING COUNCIL:

David Gislason
Chairman

Gordon H. MacKenzie
Secretary

* This regulation is made under Manitoba Producers' Marketing Plan Regulation, Man. Reg. 247/87R and is Regulation 2/87 of The Manitoba Milk Producers' Marketing Board.

The Queen's Printer for the Province of Manitoba

THE NATURAL PRODUCTS MARKETING ACT
(C.C.S.M. c. N20)

Milk Quality Penalty Levies Regulation, amendment*

Regulation 215/88
Filed May 31, 1988

Section 5.1 added

1 Milk Quality Penalty Levies Regulation, Manitoba Regulation 259/87 is amended by adding thereto, immediately following section 5 thereof, the following section:

Penalty re somatic cell count

5.1 Where in any month any milk marketed by a producer has been found, in a test conducted by the Animal Industry Branch of the Department of Agriculture (Manitoba), during that month, and during the immediately two preceeding months, to have a somatic cell count of one million somatic cells per millilitre or more, a levy of $ .50 per hectolitre is imposed on that producer in respect of all milk marketed by him in that month.

Effective date

2 This regulation comes into effect August 1, 1988.

April 28, 1988

THE MANITOBA MILK PRODUCERS' MARKETING BOARD:

Louis Balcaen
Chairman

Craig Finnie
Vice-Chairman

APPROVED

May 30, 1988

THE MANITOBA NATURAL PRODUCTS MARKETING COUNCIL:

David Gislason
Chairman

Gordon H. MacKenzie
Secretary

*This regulation is made under the Manitoba Milk Producers' Marketing Plan Regulation, Manitoba Regulation 247/87 R and is Regulation 1/88 of The Manitoba Milk Producers' Marketing Board

The Queen's Printer for the Province of Manitoba

M.M.P.M.B. STAFF MEMBERS

THE MANITOBA MILK PRODUCERS' MARKETING BOARD STAFF MEMBERS

SEPTEMBER, 1988

W. J. S. Wade	General Manager
Jack F. Sinnock	Controller
R. L. Seekings	Administrative Secretary
Arthur D. Meadows	Analyst
Alan Forrest	Supervisor, Data Processing
Olga Komoski	Programmer, Data Processing
Enrique M. Magat	Audit Accountant
Marilyn Adam	Director, Market Expansion
Patricia A. McCarthy Briggs	Director, Nutrition Education
Audrey J. Gale	Director, School Milk Program Director, Logo Marketing
Bette-Lea Fraser	Co-ordinator, School Milk Program
Wayne R. English	Supervisor, Producer Relations
Raymond M. Rudy	Supervisor, Transportation
John R. Breckman	Dispatcher, Transportation
Karen A. Bergmann	Assistant, Producer Relations
Margaret Ramlal	Receptionist
Marion M. Burgess	Key Punch Operator (part-time)
Dorothy C. Schade	Nutritionist (part-time)
Gail Norris	Packer, School Milk/Logo Mktg. (part-time)
Colleen West	Packer, School Milk/Logo Mktg. (part-time)
Bernice McLaren	Packer, Market Expansion (Part-time)